
Abstract

Public private partnership (PPP) has emerged as a more acceptable and beneficial alternative to privatization. Furthermore, the special mind-sets and specific skill-sets needed for successful PPPs are now impacting on the development of construction industries the world over. While their benefits may seem apparent, and of great promise to developing countries in particular, PPP projects present major challenges which, if not adequately addressed, may undermine their very purpose and also lead to a distortion of public sector priorities when choosing which infrastructure to develop. The paper explores these challenges and the implications for developing countries. It also provides an overview of a framework for a Decision Support System (DSS) designed to address the shortfalls in reliable knowledge about when (under what conditions) and how (in what form) PPPs should be mobilised. The DSS framework is being developed as part of an ongoing R&D project that aims to help public procuring agents achieve 'value for money' in PPP projects by (1) assisting in 'better value' decisions on the 'PPP-iability' of proposed projects and (2) providing a means for the live capture, codification and quick transfer of experiential knowledge.

Keywords

Decision Support System, developing countries, Hong Kong; PPP, public private partnership

INTRODUCTION

Whether for developed economies eager to transfer some of the traditional risks in, or to bring commercial reality to public ownership of assets; or for developing economies constrained by funding shortfalls in the provision of much needed public services, PPPs have emerged as more viable alternatives to privatisation. While the concept itself is not new, recent developments in the

development and use of PPPs can be broadly classified under two generations – first and second generation PPPs.

First generation PPPs have largely been pilot projects carefully selected to demonstrate the benefits of PPP as a procurement route. These have come with the necessary legislative changes, evolution of public sector study groups, task forces and steering groups. The projects taken forward have been free-standing in nature and with easily measurable performance outputs - typically power plants and transportation projects, including tunnels [Akintoye et al.2005, Albouy and Bousba 1998, Duffield 2005, Zhang and Kumaraswamy 2001]. The main drivers for first generation PPPs have been limitations on traditional public funding of infrastructure services created by budget deficits or regulations on government borrowing (e.g. in EU countries). The off-balance sheet nature of these free-standing PPPs thus provided a way around these difficulties. In many of these situations, the notion of a Public Sector Comparator (PSC) was thus meaningless and/or the computation was not rigorous enough.

Second generation projects have involved the wider application of the PPP model and its extension to include education, healthcare, custodial, defence, courts and highway maintenance schemes. The operation/provision of the service is however carried out by the public sector. The private sector is paid a performance-adjusted unitary service fee for creating and/or maintaining an asset. The private sector controls typ[(p)-9(4(p)-64)6.7(o6((r)0.9((PSC(o)-6.114 t)7.5(h)-6.3(e)5.6(01 Tc0n.3(f)(e)6(()5.6(5,

countries involve huge foreign investment or concessionary loan finance, and tend to be restricted to free-standing (i.e. first generation) projects. These

in terms of empowering or 'killing' PPP approaches respectively. Some examples of EFs are fiscal and budgetary constraints, a stable economic environment, potential for improved services to the community, possibility of sound project cashflows, adequate legal and regulatory frameworks and governmental support [Curnow et al. 2005, Duffield 2005, Harris 2003, Li et al. 2005]. While the absence of any one EF can be fatal to the PPP prospects of an upcoming project, direct FFs will include political uncertainty, lack of a credible PPP market, concerns over transaction and bidding costs and the inability to clearly articulate what constitutes a successful PPP [Curnow et al. 2005, Harris 2003, Robinson et al. 2004].

This primary level assessment helps to screen out projects that fail to meet the essential requirements or will be subject to devastating consequences if carried through as PPPs. For example, if FFs are recognised upfront, PPP prospects can be discarded and alternatives sought as at the top right of Figure 1.

Primary

For schemes meriting further consideration, sets of Common Drivers (CDs), Common Barriers

such a framework has been presented. The use of this and similar frameworks will facilitate evaluation of, and optimal decision-making on, PPP projects and in real time (instead of in hindsight 'after the event') and so increase the likelihood of achieving value for money.

It is planned to next develop basic database structures and case examples of the 'project profile' and 'past cases and good practices' modules and then populate them with sample sets of the factors proposed above, i.e. EFs, FFs, CDs, CBs, VEs and VIs. A pilot model of the DSS will then be developed in order to demonstrate its envisaged functions and value to potential PPP initiators.

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